

UPDATE: March 11, 2003

IRS TAX TIP 2003-41

RESERVISTS, NEW ENLISTEES MAY GET DEFERRAL FOR BACK TAXES

The IRS reminds reservists called to active duty and new enlistees in the armed forces that they might qualify for a deferral of taxes owed if they can show that their ability to pay taxes was impaired because of their military service. The Soldiers and Sailors Civil Relief Act provides this benefit.

The Act covers active duty members of the military services — Army, Navy, Air Force, Marine Corps and Coast Guard. Reservists must be placed on active duty to qualify. National Guard personnel not serving in a “federalized” status — that is, called to active duty specifically by the President of the United States — are not covered.

The deferral applies to taxes that fall due before or during military service, and extends the payment deadline to six months (180 days) after the military service ends. No interest or penalty accrues during the deferral period.

The deferral is not automatic. A taxpayer must apply for the deferral. When applying, the taxpayer must prove both an inability to pay the tax and that this inability resulted from military service. A taxpayer must also have received a notice of tax due, or be on an installment agreement with the IRS, before applying for the deferral.

The deferral is limited to an initial period of service, not reenlistment periods. This would include:

- An active duty period pursuant to a first enlistment,
- A period of service following recall to active duty from a Reserve or National Guard unit, or
- The first period of reenlistment following a break in service of at least one year.

For officers meeting one of these conditions, the period is limited to two years.

The deferral does not extend the deadline for filing any tax returns. However, taxpayers in the armed forces may get extra time to file under other provisions, such as being stationed overseas, in a combat zone or in a qualified hazardous duty area, or if they are serving in direct support of a combat zone.

Afghanistan and the airspace above was designated a combat zone effective September 19, 2001, by Executive Order No. 13239.

The following locations in the Kosovo area and the airspace above were designated as a combat zone and a qualified hazardous duty area effective March 24, 1999, by Executive Order No. 13119 and Public Law 106-21:

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- The Federal Republic of Yugoslavia (Serbia/Montenegro)
- Albania
- The Adriatic Sea
- The Ionian Sea — north of the 39th parallel

The following locations in the Persian Gulf and the airspace above were designated as a combat zone effective January 17, 1991, by Executive Order No. 12744:

- The Persian Gulf
- The Red Sea
- The Gulf of Oman
- The part of the Arabian Sea that is north of 10 degrees north latitude and west of 68 degrees east longitude
- The Gulf of Aden
- The total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar and the United Arab Emirates

The following areas in the former Yugoslavia were designated a qualified hazardous duty area effective November 21, 1995, by Public Law 104-117:

- Bosnia and Herzegovina
- Croatia
- Macedonia

The following areas have been designated as serving in direct support of a combat zone by the Assistant Secretary of Defense:

- Incirlik Air Base in Turkey in support of Operation Enduring Freedom, effective September 21, 2001
- Pakistan, Tajikistan and Jordan, effective September 19, 2001
- Uzbekistan and Kyrgyzstan, effective October 1, 2001
- The Philippines in conjunction with Operation Enduring Freedom–Philippines, effective January 9, 2002
- Yemen, effective April 10, 2002
- Djibouti, effective July 1, 2002

Details for applying for the tax payment deferral are in IRS Publication 3, “Armed Forces’ Tax Guide,” which is available on the IRS Web site, *IRS.gov*, or by calling toll free 1-800-TAX-FORM (1-800-829-3676).

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